

Proposition 19 Overview

Prop 19 is proving to be somewhat divisive because it poses a legislative double-bind in the form of a give-and-take revision of Prop 13. It contains two distinct property tax issues that must be decided with a single vote. You may be in favor of one of the issues and against the other, so whether you decide to vote Yes or No may come down to choosing what you believe to be the “lesser of two evils.”

The breakdown of the issues below is simplistic and by no means all-inclusive but provides a basic understanding of what the passage of Prop 19 would do.

Issue #1: Expands property tax portability for 55+, disabled, and victims of natural disasters.

- Currently, these people can only move their tax basis:

- Once in their lifetime;
- Within the same county or to select counties that accept the transfer;
- Only to properties valued *roughly** equal to or less than the current value.
(**Roughly = 105% in first year; 110% in second year after sale.*)

- If Prop 19 passes, these people would be able to move their tax basis:

- Up to 3 times;
- To any other county in California;
- To properties of higher value, with an upward adjustment* in tax basis
(**Upward adjustment = difference in value of property sold and property purchased*)

Issue #2: Reduces property tax benefits for inherited properties from parents to children and/or grandparents to grandchildren.

- Currently, inherited properties keep their existing tax basis regardless of property use.

- If Prop 19 passes, inherited properties only keep their existing tax basis if the person inheriting the property uses it as a primary residence and the newly assessed value does not exceed their existing basis + \$1,000,000. Any value over their existing basis + \$1M would be added to the property tax base valuation. If the home is not used as the inheritor’s primary residence, the property is reassessed at market value.

Other considerations:

- Expands tax benefits for family farm transfers

- Projected increased tax revenue of “tens of millions of dollars” to “more than \$1.5 billion in additional tax revenue annually”:

- State government (mostly “fire protection”)
- Local governments (mostly “schools”)